



House of Representatives

General Assembly

File No. 525

February Session, 2014

House Bill No. 5081

House of Representatives, April 14, 2014

The Committee on Finance, Revenue and Bonding reported through REP. WIDLITZ of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING PHOSPHOROUS REDUCTION REIMBURSEMENTS TO MUNICIPALITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 22a-478 of the 2014 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (c) The funding of an eligible water quality project shall be pursuant
5 to a project funding agreement between the state, acting by and
6 through the commissioner, and the municipality undertaking such
7 project and shall be evidenced by a project fund obligation or grant
8 account loan obligation, or both, or an interim funding obligation of
9 such municipality issued in accordance with section 22a-479. A project
10 funding agreement shall be in a form prescribed by the commissioner.
11 Eligible water quality projects shall be funded as follows:

12 (1) A nonpoint source pollution abatement project shall receive a
13 project grant of seventy-five per cent of the cost of the project

14 determined to be eligible by the commissioner.

15 (2) A combined sewer project shall receive (A) a project grant of fifty
16 per cent of the cost of the project, and (B) a loan for the remainder of
17 the costs of the project, not exceeding one hundred per cent of the
18 eligible water quality project costs.

19 (3) A construction contract eligible for financing awarded by a
20 municipality on or after July 1, 2012, as a project undertaken for
21 nutrient removal shall receive a project grant of thirty per cent of the
22 cost of the project associated with nutrient removal, a twenty per cent
23 grant for the balance of the cost of the project not related to nutrient
24 removal, and a loan for the remainder of the costs of the project, not
25 exceeding one hundred per cent of the eligible water quality project
26 costs. Nutrient removal projects under design or construction on July
27 1, 2012, and projects that have been constructed but have not received
28 permanent, Clean Water Fund financing, on July 1, 2012, shall be
29 eligible to receive a project grant of thirty per cent of the cost of the
30 project associated with nutrient removal, a twenty per cent grant for
31 the balance of the cost of the project not related to nutrient removal,
32 and a loan for the remainder of the costs of the project, not exceeding
33 one hundred per cent of the eligible water quality project costs.

34 (4) If supplemental federal grant funds are available for Clean Water
35 Fund projects specifically related to the clean-up of Long Island Sound
36 that are funded on or after July 1, 2012, a distressed municipality, as
37 defined in section 32-9p, may receive a combination of state and
38 federal grants in an amount not to exceed fifty per cent of the cost of
39 the project associated with nutrient removal, a twenty per cent grant
40 for the balance of the cost of the project not related to nutrient removal,
41 and a loan for the remainder of the costs of the project, not exceeding
42 one hundred per cent of the allowable water quality project costs.

43 (5) A municipality with a water pollution control project, the
44 construction of which began on or after July 1, 2003, which has (A) a
45 population of five thousand or less, or (B) a population of greater than
46 five thousand which has a discrete area containing a population of less

47 than five thousand that is not contiguous with the existing sewerage
48 system, shall be eligible to receive a grant in the amount of twenty-five
49 per cent of the design and construction phase of eligible project costs,
50 and a loan for the remainder of the costs of the project, not exceeding
51 one hundred per cent of the eligible water quality project costs.

52 (6) [The first three construction contracts] Any contract entered into
53 by [municipalities] a municipality on or before July 1, 2018, that [are] is
54 eligible for financing as [projects] a project undertaken for phosphorus
55 removal to at or below two-tenths milligrams per liter effluent
56 discharge, shall receive (A) a project grant of fifty per cent of the cost of
57 the project associated with such phosphorus removal, (B) except as
58 provided in subdivision (3) of this subsection, a twenty per cent grant
59 for the balance of the cost of the project, and (C) a loan for the
60 remainder of the costs of the project, not exceeding one hundred per
61 cent of the eligible water quality project costs. [If more than three
62 projects are eligible for the financing provided under this subdivision]
63 In providing funding under this subdivision, the commissioner shall
64 give priority, first to projects with the lowest permitted limit of
65 phosphorus discharge as contained in a valid discharge permit issued
66 pursuant to section 22a-430, and then to those that remove the greatest
67 amount of phosphorus, as measured in pounds per year.

68 (7) Any other eligible water quality project shall receive (A) a project
69 grant of twenty per cent of the eligible cost, and (B) a loan for the
70 remainder of the costs of the project, not exceeding one hundred per
71 cent of the eligible project cost.

72 (8) Project agreements to fund eligible project costs with grants from
73 the Clean Water Fund that were executed during or after the fiscal year
74 beginning July 1, 2003, shall not be reduced according to the provisions
75 of the regulations adopted under section 22a-482.

76 (9) On or after July 1, 2002, an eligible water quality project that
77 exclusively addresses sewer collection and conveyance system
78 improvements may receive a loan for one hundred per cent of the
79 eligible costs provided such project does not receive a project grant.

80 Any such sewer collection and conveyance system improvement
 81 project shall be rated, ranked, and funded separately from other water
 82 pollution control projects and shall be considered only if it is highly
 83 consistent with the state's conservation and development plan, or is
 84 primarily needed as the most cost effective solution to an existing area-
 85 wide pollution problem and incorporates minimal capacity for growth.

86 (10) All loans made in accordance with the provisions of this section
 87 for an eligible water quality project shall bear an interest rate of two
 88 per cent per annum. The commissioner may allow any project fund
 89 obligation, grant account loan obligation or interim funding obligation
 90 for an eligible water quality project to be repaid by a borrowing
 91 municipality prior to maturity without penalty.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>from passage</i>	22a-478(c)
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ENV *Joint Favorable C/R*

FIN

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Treasurer, Debt Serv.	GF - Potential Cost	None	See Below

Municipal Impact: None

Explanation

This bill expands the number of municipalities eligible to receive increased Clean Water Fund (CWF) grants for phosphorus removal projects by extending eligibility for the increased grants, which cover 50% of phosphorus removal costs, to all those with contracts entered into by July 1, 2018. Current law limits eligibility to the first three construction contracts awarded by municipalities.

Allowing certain municipalities to receive the 50% reimbursement rate for all phosphorus reduction projects is anticipated to increase future General Obligation (GO) bonding requirements for the CWF Program by approximately \$72 million. The timing of the General Fund debt service impact will depend upon the year in which the bonds are authorized.

The bill would result in the estimated future debt service costs for phosphorus reduction reimbursements for municipalities:

**Estimated Future Debt Service Cost for Phosphorus Reduction
Reimbursements**

\$ Millions

Future GO Bond Authorization	Total Debt Service Cost*	Interest	Principal
72.0	109.8	37.80	72.0
*Figures assume that bonds are issued at 5.0% over 20 year term			

The unallocated GO bond balance for CWF grants-in-aid to municipalities as of April 11, 2014 is \$67.0 million. An additional \$218.0 million is authorized for this purpose in FY 15 by PA 13-239, An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, Elimination of the Accumulated GAAP Deficit and Other Purposes.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**HB 5081*****AN ACT CONCERNING PHOSPHOROUS REDUCTION
REIMBURSEMENTS TO MUNICIPALITIES.*****SUMMARY:**

This bill expands the number of municipalities eligible to receive increased Clean Water Fund grants for phosphorus removal projects (those that result in levels at or below 0.2 milligrams per liter of effluent discharge, meaning the phosphorus is no more than .00002% of the effluent by weight). It does so by extending eligibility for the increased grants, which cover 50% of phosphorus removal costs, to all those with contracts entered into by July 1, 2018.

Current law limits eligibility to the first three construction contracts awarded by municipalities by that date, but if there are more than three eligible projects, the Department of Energy and Environmental Protection must prioritize them based on permitted phosphorus discharge limits and the amount of phosphorus removed each year. The bill retains this prioritization for issuing the funds.

By law, other phosphorus removal projects are eligible for clean water financing as nutrient removal projects. They receive a (1) project grant of 30% of costs associated with nutrient removal, (2) 20% grant for costs unrelated to nutrient removal, and (3) loan for the rest.

The Clean Water Fund provides financial aid to municipalities through grants and loans for planning, designing, and constructing water pollution control facilities. It is financed through a combination of federal funding, state general obligation bonds for the grant portion, and state revenue bonds for the loan portion.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Environment Committee

Joint Favorable Change of Reference

Yea 28 Nay 0 (02/28/2014)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 50 Nay 0 (04/01/2014)